



COPY

Aqua Indiana, Inc.  
8275 Allison Pointe Trail  
Suite 375  
Indianapolis, IN 46250

T: 317.577.1390  
F: 317.577.1080  
www.aquaindiana.com

FILED

November 14, 2008

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Secretary  
Indiana Utility Regulatory Commission  
Indiana Government Center South  
Room E-306  
302 West Washington Street  
Indianapolis, Indiana 46204

43609 - U INDIANA UTILITY  
REGULATORY COMMISSION

Re: Small Utility Application for Rate Change/Aqua Indiana, Inc. - Darlington Water Division  
(Montgomery County, Indiana)

Dear Commission Secretary:

Enclosed are an original and five (5) copies of the materials constituting and supporting an application for a change in rates and charges for Aqua Indiana, Inc. - Darlington Water Division (the "Utility") pursuant to the provisions of Indiana Code 8-1-2-61.5 and 170 IAC 14-1. The Utility is an Indiana public utility providing water utility service to fewer than 5,000 customers. The Utility primarily provides retail service to customers and does not extensively serve another utility. Also, the Utility is not a not-for-profit utility, conservancy district or municipal utility and, accordingly, the provisions of 170 IAC 14-1-2(a)(5) and (6) are not applicable to its application.

Among the enclosed materials are the following: (1) schedules containing general, accounting and engineering data related to the requested change in rates and charges; (2) a copy of the Resolutions of the Utility's Board of Directors authorizing the Utility's application; (3) the form of a proposed Schedule of Rates and Charges reflecting the requested change in rates and charges; (4) the form of the notice concerning the requested rates and charges the Utility intends to publish in Montgomery County, Indiana; and (5) the form of the notice the Utility intends send to each of its customers. The above-referenced notices will be published or sent to customers, as appropriate, within ten (10) days of filing of this application. Proof of publication and a copy of completed customer notices will be filed with the Commission within fifteen (15) days of the date of filing this application.

The Utility is seeking authority to implement changes in its recurring and non-recurring rates and charges that will result in an overall approximate percentage increase in the Utility's operating revenues of 127%.

Sincerely,

Thomas M. Bruns  
Vice President and Regional Manager

Enclosures

cc: Indiana Office of Utility Consumer Counselor

**BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION**

**REVENUE REQUIREMENT  
AND SUPPORTING SCHEDULES**

**ON BEHALF OF  
AQUA INDIANA, INC.'s  
DARLINGTON WATER DIVISION**

**November 14, 2008**

## **INTRODUCTION**

**Background on Applicant.** Aqua Indiana, Inc. ("Aqua Indiana") is an Indiana corporation and subsidiary of Aqua America, Inc., a publicly-traded company headquartered in Bryn Mawr, Pennsylvania. In addition to managing and operating Aqua America-affiliated water and wastewater systems in Indiana, Aqua Indiana provides contract operation and management of water and wastewater systems for both municipal and private sector clients in Indiana. Aqua Indiana has regional offices in Indianapolis and Fort Wayne.

**Acquisition of Darlington Water Works Assets.** On November 1, 2006, Aqua Indiana purchased the assets of the former Darlington Water Works Company from its then current owner, the City of Indianapolis' Department of Waterworks, for \$255,000. The purchased assets were located in and around the Town of Darlington in Montgomery County, Indiana. At the time of their acquisition by Aqua Indiana, the purchased assets served approximately 315 customers.

The Indiana Utility Regulatory Commission reviewed Aqua Indiana's purchase of the Darlington Water Works Company's assets in Cause No. 43087. In its Order dated October 11, 2006, the Commission concluded that Aqua Indiana's acquisition of the Darlington Water Works Company's assets was in the public interest and that public convenience and necessity required Aqua Indiana's provision of water service to the area formerly served by the Darlington Water Works Company.

The Commission's October 11, 2006 Order also found that Aqua Indiana should be allowed in the future a return on, but not of, an approved acquisition adjustment. The amount of the acquisition adjustment approved by the Commission was \$66,262, which represented the difference between the book value of the Darlington Water Works Company's assets acquired by Aqua Indiana (\$183,738) and the appraised value of those assets (\$250,000).

The Commission also found in its October 11, 2006 Order that Aqua Indiana should amortize the approved acquisition adjustment at an annual rate of 2 percent per year. As of June 30, 2008, the amount of the accumulated amortization was \$2,209. Consistent with the findings of the Commission's October 11, 2006 Order, Aqua Indiana has not reflected on its books and records as an "above-the-line" expense the amount of the annual amortization of the approved acquisition adjustment.

**Operation of Darlington Water Division.** Aqua Indiana operates the former assets of the Darlington Water Works Company as part of its "Darlington Water Division". Darlington resident and the former co-owner and longtime operator of the Darlington Water Works Company's assets, Howard Holt, is now an employee of Aqua Indiana with responsibility for the day-to-day operation of the Darlington Water Division system. Other employees of Aqua Indiana headquartered in Danville, Indiana also provide operational services to the Darlington Water Division. Management and administrative support for the Darlington Water Division are provided by Aqua's Indianapolis Regional Office. As of June 30, 2008, Aqua Indiana's Darlington Water Division had approximately 322 customers.

As allowed by the Commission's October 11, 2006 Order, Aqua Indiana presently applies the same rates and charges and the same rules and regulations for service that were in effect at the time of Aqua Indiana's acquisition of Darlington Water Company's assets in 2006. Those rates and charges originally were established pursuant to the Commission's September 18, 1991 Order in Cause No. 39173.

**Assets and Capital Improvements.** The assets purchased by Aqua Indiana from the City of Indianapolis' Department of Waterworks consisted of water production and storage facilities, water mains, meters, hydrants, equipment, real estate, easements and permits. A major component of the purchased assets was a well field with three wells, two enclosed concrete masonry well houses containing chlorination and fluoridation equipment and one outdoor well. Also included in the purchased assets was a 50,000-gallon, riveted-steel elevated tank constructed in 1940. The water mains purchased by Aqua Indiana consisted in mostly small-diameter pipes. A small underground booster pump serving 12 customers in the southeast portion of the system also was included in the purchased distribution assets.

Aqua Indiana did not have to install additional facilities to begin its operation of the Darlington Water Division's system after its acquisition in 2006. However, the system required improvements to increase finished water storage and water pressure, and to improve fire protection. Aqua Indiana communicated its plans to the Town of Darlington to make needed improvements, which it contemplated at the time would include installation of a new elevated storage tank, an 8-inch water main loop, radio frequency meter reading, system alarms/notification equipment and distribution main upgrades.

As of October 1, 2008, Aqua Indiana has made significant progress towards completing these

improvements; most notably the installation of a refurbished 100,000-gallon elevated storage tank to replace the 1940s vintage 50,000-gallon tank that had been among the assets purchased in 2006. The use of the refurbished tank versus constructing a new tank resulted in a 27% cost savings and allowed Aqua to gain an additional 25,000 gallons in volume. A breakdown of the costs Aqua Indiana incurred in connection with the installation of that storage tank, as well as an associated main replacement project, is as follows:

<b>100,000 Gallon Elevated Tank (In Service on Aug. 28, 2008)</b>	
Phoenix Bid	\$335,000
Tank Manway	\$2,000
Tank Industry Consultants	\$20,000
Beam Longest & Neff Eng.	\$12,000
Upgraded Well Pumps	\$20,000
Tank Security Fencing	\$7,400
Driveway and Gate	\$14,855
In-House Engineering	\$5,357
Subtotal	<b>\$416,612</b>
<b>Water Main Replacement Project (In Service on Aug. 15, 2008)</b>	
Conner Excavating	\$188,931
In-House Engineering	\$16,151
Subtotal	<b>\$205,082</b>
<b>Total</b>	<b>\$621,694</b>

As a result of these improvements, the Town of Darlington enjoys improved water flows for fire protection and the Darlington Water Division's has increased distribution system pressure by an average of 20 psi throughout the community.

**Proposed Rates and Charges.** Aqua Indiana's investments in the Darlington Water Division's system have increased the value of the utility plant and property it has dedicated to serve the public by nearly 300 percent. Aqua Indiana's investments, as well as the passage of nearly 17 years since the Commission established Darlington Water Division's current rates and charges, have caused the return earned on the value of the Darlington Water Division's plant and properties to be below the level required

to provide Aqua Indiana with the opportunity to earn a fair return on the fair value of that plant and property. In fact, the Darlington Water Division will lose money in 2008 at current rates. This sub-par return on investment will continue unless addressed through increased rates as presented in this request. To that end, Aqua Indiana proposes to implement a new schedule of rates and charges to increase the Darlington Water Division's annual operating revenue by 127 percent, with the return on the above-described improvements accounting for approximately 69 percent of the requested revenue increase.

The recurring monthly rates and charges Aqua Indiana has proposed to the Commission are designed to increase operating revenues by approximately \$147,000. The proposed new monthly rates and charges also reflect a reduction in the minimum water allowance used for calculating a customer's monthly bill from 6,000 to 3,000 gallons per month. Aqua Indiana proposes this reduction in the allowance in order to eliminate an inconsistency in the Darlington Water Division's current monthly recurring rates and charges, and to move toward having customer bills reflect actual water usage. The reduction in the monthly allowance to 3,000 gallons is a transitional step toward the eventual elimination of the allowance in a future rate case.

For customers using 4,000 gallons a month, the impact of the proposed monthly recurring rates and charges would be as follows:

<b>Meter Size</b>	<b>No. of Customers</b>	<b>At Present Rates</b>	<b>At Proposed Rates</b>	<b>Percentage Increase</b>
5/8" & 3/4"	316	\$22.97	\$53.85	134%
1"	4	\$38.29	\$97.85	156%
1-1/4"	0	\$49.79	\$112.85	127%
1-1/2"	1	\$76.59	\$127.85	67%
2"	1	\$122.55	\$187.85	53%
3"	0	\$229.77	\$367.85	60%
4"	0	\$382.94	\$607.85	59%

As is the case with its monthly recurring rates and charges, it has been several years since there has been increase or other changes in the non-recurring fees and charges that Aqua Indiana's Darlington Water Division currently collects from its customers. With increasing hourly wage rates, health insurance costs, other employee benefit costs, property taxes, transportation costs, as well as material costs, Aqua Indiana also now finds it necessary to propose new and increased non-recurring fees and charges for its

Darlington Water Division. The non-recurring fees and charges that Aqua Indiana is proposing to implement for its Darlington Water Division are as follows:

Tap Charges:

Connection Size	Short Side Tap	Long Side Tap
3/4"	\$1,020	\$1,360
1"	\$1,085	\$1,435
1-1/2"	\$1,840	\$2,545
2"	\$2,005	\$2,765
Larger than 2"	Actual Cost	Actual Cost

Disconnect/Reconnect Fee	\$45.00
Returned Check Charge	\$35.00
Late Fee	2 percent per month of past due balance

The new non-recurring charges are intended to generate approximately \$1,500 in additional annual operating revenues.

The recurring and non-recurring rates and charges Aqua Indiana proposes for its Darlington Water Division will provide it an opportunity to realize adequate operating income and earn a return equal to that available on other investments of comparable risk. The proposed recurring and non-recurring rates and charges also will permit Aqua Indiana to obtain reasonable additional capital necessary to enable it to render adequate, reliable and safe water service to the public served by its Darlington Water Division.

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AQUA INDIANA, INC.  
Darlington Water Division

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Darlington Water Division  
Darlington, INDIANA  
COMPARATIVE BALANCE SHEET  
as of June 30, 2008 and December 31, 2007

**Schedule P-1**  
**Page 1 of 1**

Line No.		As Of 6/30/2008 Col. A	As Of 12/31/2007 Col. B
	<u>ASSETS AND OTHER DEBITS</u>		
	<u>UTILITY PLANT IN SERVICE</u>		
1.	Utility plant in service	\$ 338,399	\$ 313,712
2.	Less: Accumulated depreciation and amortization	78,605	75,885
3.	Net Utility Plant in Service	<u>\$ 259,795</u>	<u>\$ 237,828</u>
4.	Property held for future use-Net	-	-
5.	Construction work in progress	247,381	26,215
6.	Utility plant acquisition adjustment	66,262	66,262
7.	Less: Accumulated amortization of utility plant acquisition adjustment	(2,209)	(1,546)
8.	Miscellaneous utility plant	-	-
9.	Total Net Utility Plant	<u>\$ 571,228</u>	<u>\$ 328,759</u>
	<u>OTHER PROPERTY AND INVESTMENTS</u>		
10.	Non-utility property	\$ -	\$ -
11.	Less: Accumulated depreciation	-	-
12.	Investments in associated companies	-	-
13.	Other investments	-	-
14.	Sinking funds	-	-
15.	Bond and interest fund	-	-
16.	Meter deposit fund	-	-
17.	Construction fund	-	-
18.	Depreciation fund	-	-
19.	Other special funds	-	-
20.	Total Other Property and Investments	<u>\$ -</u>	<u>\$ -</u>
	<u>CURRENT AND ACCRUED ASSETS</u>		
21.	Cash	\$ -	\$ -
22.	Special deposits	-	-
23.	Customer accounts receivable	15,343	14,676
24.	Other accounts receivable	60	370
25.	Accounts receivable from associated companies	-	-
26.	Accumulated provision for uncollectible accounts-Credit	322	104
27.	Plant materials and supplies	-	-
28.	Prepayments	-	-
29.	Interest and dividends receivable	-	-
30.	Accrued utility revenues	3,715	3,385
31.	Miscellaneous current and accrued assets	-	-
32.	Total Current and Accrued Assets	<u>\$ 19,441</u>	<u>\$ 18,536</u>
	<u>DEFERRED DEBITS</u>		
33.	Please detail	<u>\$ -</u>	<u>\$ -</u>
34.	Total Assets and Other Debits	<u>\$ 590,669</u>	<u>\$ 347,294</u>

Darlington Water Division  
Darlington, INDIANA  
COMPARATIVE BALANCE SHEET  
as of June 30, 2008 and December 31, 2007

**Schedule P-2**  
**Page 1 of 1**

Line No.		As Of 6/30/2008 Col. A	As Of 12/31/2007 Col. B
<u>LIABILITIES AND OTHER CREDITS</u>			
<u>EQUITY CAPITAL</u>			
1.	Proprietary capital	\$ -	\$ -
2.	Common stock issued	-	-
3.	Preferred stock issued	-	-
4.	Other paid-in capital	-	-
5.	Retained earnings	13,462	10,810
6.	Total Equity Capital	<u>\$ 13,462</u>	<u>\$ 10,810</u>
<u>LONG-TERM DEBT</u>			
7.	Bonds	\$ -	\$ -
8.	Advances from associated companies	-	-
9.	Other long-term debt	-	-
10.	Total Long-Term Debt	<u>\$ -</u>	<u>\$ -</u>
<u>CURRENT AND ACCRUED LIABILITIES</u>			
11.	Accounts payable	\$ -	\$ -
12.	Notes payable	-	-
13.	Accounts payable to associated companies	-	-
14.	Customer deposits	-	-
15.	Accrued taxes	(5,720)	(7,375)
16.	Accrued interest	-	-
17.	Matured long-term debt	-	-
18.	Miscellaneous current and accrued liabilities - incl Admin	579,258	340,190
19.	Total Current and Accrued Liabilities	<u>\$ 573,538</u>	<u>\$ 332,815</u>
<u>DEFERRED CREDITS</u>			
20.	Unamortized premium on debt	\$ -	\$ -
21.	Advances for construction	-	-
22.	Other deferred credits	3,005	3,005
23.	Total Deferred Credits	<u>\$ 3,005</u>	<u>\$ 3,005</u>
<u>OPERATING RESERVES</u>			
24.	Property insurance reserves	\$ -	\$ -
25.	Injuries and damages reserves	-	-
26.	Pensions and benefits reserves	-	-
27.	Miscellaneous operating reserves	-	-
28.	Total Operating Reserves	<u>\$ -</u>	<u>\$ -</u>
<u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>			
29.	Contributions in aid of construction	\$ 665	\$ 665
30.	Less: Accumulated amortization	-	-
31.	Net Contributions in Aid of Construction	<u>\$ 665</u>	<u>\$ 665</u>
32.	Total Liabilities and Other Credits	<u>\$ 590,669</u>	<u>\$ 347,294</u>

Darlington Water Division  
Darlington, INDIANA  
NOTES TO THE FINANCIAL STATEMENTS

Schedule P-3  
Page 1 of 1

The space below is provided for important notes regarding the financial statements.

Darlington Utility Plant in Service includes an allocation of All Indiana (Admin.) Utility Plant in Service.

Darlington Accumulated Depreciation includes an allocation of All Indiana (Admin.) Accumulated Depreciation.

Admin. Utility Plant in Service and Accumulated Depreciation Is allocated by customer count per Schedule S-3.

Darlington Water Division  
Darlington, INDIANA

Schedule P-4  
Page 1 of 1

ANALYSIS OF UTILITY PLANT IN SERVICE  
FROM JANUARY 1, 2007 TO JUNE 30, 2008

Line No.	1/1/2007 Beginning Balance	2007 Additions	2007 Retirements	2007 Other	Year End Balance	Jan - Jun 2008 Additions	Jan - Jun 2008 Retirements	Jan - Jun 2008 Other	Balance at End of Test Year	Jul - Sep 2008 Major Additions	Jul - Sep 2008 Major Retirements	Jul - Sep 2008 Other	Balance Projected 9/30/2008	Reference
	Col. A	Col. B	Col. C	Col. D	Col. E	Col. F	Col. G	Col. H	Col. I	Col. J	Col. K	Col. L	Col. M	
<b>UTILITY PLANT</b>														
1.	Organization	\$ 32,971	\$ 1,193	\$ -	\$ -	\$ 34,164	\$ -	\$ -	\$ -	\$ 34,164	\$ -	\$ -	\$ -	\$ 34,164
2.	Land and land rights	21,081	-	-	-	21,081	-	-	-	21,081	-	-	-	21,081
3.	Structures and improvements	28,165	-	-	-	28,165	-	-	-	28,165	-	-	-	28,165
4.	Collection and impounding reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	Lake, river and other intakes	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	Wells and springs	47,057	-	-	-	47,057	-	-	-	47,057	-	-	-	47,057
7.	Infiltration galleries and tunnels	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	Supply mains	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	Power generation equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	Pumping equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	Water treatment equipment	18,000	-	-	-	18,000	-	-	-	18,000	-	-	-	18,000
12.	Distribution reservoirs and standpipes	44,157	-	-	-	44,157	-	-	-	44,157	416,612	(44,157)	-	416,612
13.	Transmission and distribution mains	62,273	-	-	-	62,273	18,752	-	-	81,025	205,082	(7,400)	-	278,707
14.	Services	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	Meters and meter installations	1,000	-	-	-	1,000	-	-	-	1,000	-	-	-	1,000
16.	Hydrants	31,538	-	-	-	31,538	-	-	-	31,538	-	-	-	31,538
17.	Other plant and misc. equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>GENERAL PLANT</b>														
18.	Office furniture and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
19.	Transportation equipment	12,000	-	-	-	12,000	-	-	-	12,000	-	-	-	12,000
20.	Stores equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
21.	Tools, shop and garage equipment	350	-	-	-	350	-	-	-	350	-	-	-	350
22.	Laboratory equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
23.	Power operated equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
24.	Communication equipment	-	1,927	-	-	1,927	-	-	-	1,927	-	-	-	1,927
25.	Miscellaneous equipment	-	-	-	-	-	4,936	-	-	4,936	-	-	-	4,936
26.	Other tangible property - Admin Alloc.	6,465	5,546	-	-	12,000	999	-	-	12,999	9,652	-	-	22,651 S-1
27.	Total Utility Plant in Service	\$305,047	\$ 8,666	\$ -	\$ -	\$313,712	\$24,687	\$ -	\$ -	\$338,399	\$631,346	\$ (51,557)	\$ -	\$ 918,188

Darlington Water Division  
Darlington, INDIANA  
ANALYSIS OF ACCUMULATED PROVISION FOR DEPRECIATION  
FROM JANUARY 1, 2007 TO JUNE 30, 2008

<b>Schedule P-5</b> <b>Page 1 of 1</b>
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<u>Line No.</u>		<u>Reference</u>	
1.	<u>BALANCE JANUARY 1 (1)</u>		\$ 70,658
	<u>YEAR 2007</u>		
2.	Charged to depreciation expense		4,894 (4)
3.	Salvage		-
4.	Retirements		-
5.	Cost of removal		-
6.	Adjustments * Admin Allocation	S-2	<b>332</b>
7.	<u>BALANCE JANUARY 1, (2)</u>		\$ 75,885
	<u>YEAR 2008</u>		
8.	Charged to depreciation expense		2,591 (5)
9.	Salvage		-
10.	Retirements		-
11.	Cost of removal		-
12.	Adjustments * Admin Allocation	S-2	<b>129</b>
13.	BALANCE June 30, 2008 (3)		\$ 78,605
14.	July - Sept 2008 Major Retirements:		\$ (51,557)
15.	BALANCE PROJECTED 9/30/08:		<u>\$ 27,048</u>

- (1) This should be the date of the beginning of the first year.  
(2) This should be the date of the end of the first year  
(3) This should be the date of the end of the test year.  
(4) This amount should agree with the amount on Page XX, Column B, Line 2.  
(5) This amount should agree with the amount on Page XX, Column A, Line 2.

\* Please detail                      Please see Schedule S-2

Darlington Water Division  
Darlington, INDIANA  
ANALYSIS OF RETAINED EARNINGS  
FROM JANUARY 1, 2007 TO JUNE 30, 2008

**Schedule P-6**  
**Page 1 of 1**

Line No.	(Debit) / Credit	
1.	<u>BALANCE JANUARY 1 (1)</u> <u>YEAR 2007</u>	\$ (4,650)
2.	Balance transferred from income	15,459
3.	Common stock dividends	-
4.	Preferred stock dividends	-
5.	Adjustments *	-
6.	<u>BALANCE JANUARY 1, (2)</u> <u>YEAR 2008</u>	\$ 10,810 (4)
7.	Balance transferred from income	2,652
8.	Common stock dividends	-
9.	Preferred stock dividends	-
10.	Adjustments *	-
11.	BALANCE June 30, 2008 (3)	<u>\$ 13,462 (5)</u>

- (1) This should be the date of the beginning of the first year.  
 (2) This should be the date of the end of the first year  
 (3) This should be the date of the end of the test year.  
 (4) This amount should agree with the amount on Schedule P-2, Column B, Line 5.  
 (5) This amount should agree with the amount on Schedule P-2, Column A, Line 5.

\* Please detail

Darlington Water Division  
Darlington, INDIANA  
COMPARATIVE INCOME STATEMENT  
FOR THE YEARS ENDED JUNE 30, 2008 AND DECEMBER 31, 2007

**Schedule P-7**  
**Page 1 of 1**

Line No.	Year Ended 6/30/2008 Col. A	Year Ended 12/31/2007 Col. B
<u>OPERATING REVENUES</u>		
1. Sales of water	\$ 115,548	\$ 112,161
2. Other operating revenues	(1,484)	1,646
3. Total Operating Revenues	<u>\$ 114,064</u>	<u>\$ 113,807</u>
<u>OPERATING EXPENSES</u>		
4. Operation and maintenance expenses	\$ 82,777	\$ 81,068
5. Depreciation expense	5,269	5,076
6. Amortization expense	-	-
7. Taxes other than income taxes	6,882	5,858
8. Income taxes	(4,766)	(4,588)
9. Total Operating Expenses	<u>\$ 90,161</u>	<u>\$ 87,414</u>
10. Net Operating Income (Loss)	<u>\$ 23,902</u>	<u>\$ 26,394</u>
<u>OTHER INCOME AND DEDUCTIONS</u>		
11. Revenue from merchandising jobbing and contract work	\$ 1,570	\$ 370
Cost and expenses from merchandising jobbing		
12. and contract work	-	-
13. Income from non-utility operations	-	-
14. Interest income	-	23
15. Allowance for funds used during construction	325	239
16. Miscellaneous non-utility income and expenses	(29)	(58)
17. Total Other Income and Deductions	<u>\$ 1,866</u>	<u>\$ 575</u>
18. TAXES APPLICABLE TO OTHER INCOME AND DEDUCTIONS	<u>\$ -</u>	<u>\$ -</u>
<u>INTEREST CHARGES</u>		
19. Interest on long-term debt	\$ -	\$ -
20. Interest on debt to associated companies	9,533	9,963
21. Amortization of debt discount and expense	-	-
22. Amortization of premium on debt	-	-
23. Total Interest Charges	<u>\$ 9,533</u>	<u>\$ 9,963</u>
<u>EXTRAORDINARY ITEMS</u>		
24. Extraordinary income	\$ -	\$ -
25. Extraordinary deductions	-	-
26. Taxes on extraordinary items	-	-
27. Total Extraordinary Items	<u>\$ -</u>	<u>\$ -</u>
28. Net Income (Loss)	<u>\$ 16,235</u>	<u>\$ 17,005</u>

Darlington Water Division  
Darlington, INDIANA  
COMPARATIVE DETAIL OF OPERATING REVENUES  
FOR THE YEARS ENDED JUNE 30, 2008 AND DECEMBER 31, 2007

Schedule P-8  
Page 1 of 1

Line No.		Year Ended 6/30/2008 Col. A	Year Ended 12/31/2007 Col. B
	<u>OPERATING REVENUES</u>		
	<u>SALES OF WATER</u>		
1.	Unmetered sales	\$ -	\$ -
2.	Residential sales	115,548	109,688
3.	Commercial sales	-	-
4.	Industrial sales	-	-
5.	Sales to public authorities	-	-
6.	Multiple family dwellings	-	-
7.	Public fire protection service	-	2,473
8.	Private fire protection service	-	-
9.	Irrigation customers	-	-
10.	Sales for resale	-	-
11.	Interdepartmental sales	-	-
12.	Total Sales of Water	<u>\$ 115,548</u>	<u>\$ 112,161</u>
	<u>OTHER OPERATING REVENUES</u>		
13.	Forfeited discounts	\$ -	\$ -
14.	Miscellaneous service revenues	-	-
15.	Rents from water property	-	-
16.	Interdepartmental rents	-	-
17.	Other water revenues	(1,484)	1,646
18.	Total Other Operating Revenues	<u>\$ (1,484)</u>	<u>\$ 1,646</u>
19.	Total Operating Revenues	<u><u>\$ 114,064</u></u>	<u><u>\$ 113,807</u></u>



Darlington Water Division  
Darlington, INDIANA  
COMPARATIVE DETAIL OF OPERATING EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2008 AND DECEMBER 31, 2007

**Schedule P-9**  
**Page 1 of 1**

Line No.		Year Ended 6/30/2008 Col. A	Year Ended 12/31/2007 Col. B
	<u>OPERATING EXPENSES</u>		
	<u>OPERATION AND MAINTENANCE EXPENSES</u>		
1	Salaries and wages	\$ 31,990	\$ 32,610
2	Employee pensions and benefits	3,770	(333)
3	Purchased water	-	-
4	Purchased power	4,734	5,591
5	Chemicals	355	352
6	Materials and supplies	22	358
7	Contractual services	12,633	16,077
8	Rents	4,200	4,200
9	Transportation expense	2,686	2,306
10	Insurance expense	845	1,703
11	Regulatory commission expense	-	-
12	Bad debts expense	1,015	1,039
13	Miscellaneous expense	20,526	17,162
14			
15	Total Operation and Maintenance Expenses	<u>\$ 82,777</u>	<u>\$ 81,068</u>
16			
17	DEPRECIATION EXPENSE	<u>\$ 5,269</u>	<u>\$ 5,076</u>
18			
19	AMORTIZATION EXPENSE	<u>\$ -</u>	<u>\$ -</u>
20			
21	<u>TAXES OTHER THAN INCOME TAXES</u>		
22	IURC Public Utility Fee	\$ -	\$ -
23	Property taxes	1,500	1,240
24	Payroll taxes	3,799	3,027
25	Other taxes and licenses	1,582	1,590
26			
27	Total Taxes Other Than Income Taxes	<u>\$ 6,882</u>	<u>\$ 5,858</u>
28			
29	<u>INCOME TAXES</u>		
30	Federal income taxes-Utility operating income-Current	\$ (7,634)	\$ (7,493)
31	State income taxes-Utility operating income-Current	(137)	(100)
32	Local income taxes-Utility operating income-Current	-	-
33	Federal income taxes-Deferred	2,375	2,375
34	State income taxes-Deferred	630	630
35	Local income taxes-Deferred	-	-
36	Deferred income tax credit	-	-
37	Investment tax credit deferred to future periods	-	-
38	Investment tax credit restored to operating income	-	-
39			
40	Total Income Taxes	<u>\$ (4,766)</u>	<u>\$ (4,588)</u>
41			
42	INCOME FROM UTILITY PLANT LEASED TO OTHERS	<u>\$ -</u>	<u>\$ -</u>
43			
44	GAIN OR LOSS FROM DISPOSITION OF UTILITY PROPERTY	<u>\$ -</u>	<u>\$ -</u>
45			
46	Total Operating Expenses	<u>\$ 90,161</u>	<u>\$ 87,414</u>

Darlington Water Division  
Darlington, INDIANA  
SCHEDULE OF PRESENT AND PROPOSED RATES

Schedule P-10  
Page 1 of 1

	Present Rates (1) Col. A	Tracker Col. B	Adjusted Present Rates Col. C	Proposed Rates Col. D	Increase	
					Amount Col. E	Percent Col. F
METERED RATES PER MONTH						
First 10,000 gallons	\$ 5.070	\$ -	\$ 5.070	<b>PLEASE SEE SCHEDULE RD-2, pages 1-4</b>		
Next 10,000 gallons	\$ 4.067	\$ -	\$ 4.067			
Next 30,000 gallons	\$ 3.368	\$ -	\$ 3.368			
Next 50,000 gallons	\$ 2.705	\$ -	\$ 2.705			
Next 400,000 gallons	\$ 2.025	\$ -	\$ 2.025			
Over 500,000 gallons	\$ 1.380	\$ -	\$ 1.380			
MINIMUM RATES PER MONTH						
5/8" and 3/4"	\$ 22.97	\$ -	\$ 22.97			
1"	\$ 38.29	\$ -	\$ 38.29			
1-1/4"	\$ 49.79	\$ -	\$ 49.79			
1-1/2"	\$ 76.59	\$ -	\$ 76.59			
2"	\$ 122.55	\$ -	\$ 122.55			
3"	\$ 229.77	\$ -	\$ 229.77			
4"	\$ 382.94	\$ -	\$ 382.94			
6"	\$ 765.86	\$ -	\$ 765.86			
		\$ -	\$ -			
FIRE LINES / SPRINKLERS PER MONTH / PER YEAR						
	\$ 0.00	\$ -	\$ 0.00			
	\$ 0.00	\$ -	\$ 0.00			
	\$ 0.00	\$ -	\$ 0.00			
	\$ 0.00	\$ -	\$ 0.00			
HYDRANT RENTAL PER MONTH / PER YEAR						
Per Year	\$ 257.96	\$ -	\$ 257.96			
	\$ 0.00	\$ -	\$ 0.00			
	\$ 0.00	\$ -	\$ 0.00			
	\$ 0.00	\$ -	\$ 0.00			

(1) Approved in Cause No.39173, Order dated 9/18/91.

Darlington Water Division  
Darlington, INDIANA  
PROFORMA OPERATING INCOME STATEMENT

Schedule P-11  
Page 1 of 1

Line No		Test Year Col. A	Adjustments Col. B	Adjusted Present Rates Col. C	Adjustments Col. D	Proforma Proposed Rates Col. E
<b><u>OPERATING REVENUES</u></b>						
1.	Sales of water	\$ 115,548	\$ -	\$ 115,548	\$ 147,009 (13)	\$ 262,557
2.	Other operating revenues	(1,484)	2,984 (1)	1,500	1,504 (2)	3,004
3.	Total Operating Revenues	<u>\$ 114,064</u>	<u>\$ 2,984</u>	<u>\$ 117,048</u>	<u>\$ 148,513</u>	<u>\$ 265,561</u>
<b><u>OPERATING EXPENSES</u></b>						
4.	Operation and maintenance expenses	\$ 82,777	\$ -	\$ 82,777	\$ -	\$ 82,777
5.	Payroll - Salaried & Hourly Personnel	-	2,230 (3)	2,230	-	2,230
6.	Benefits	-	3,995 (4)	3,995	-	3,995
7.	Purchased Power	-	473 (5)	473	-	473
8.	Contractual Services	-	-	-	-	-
9.	Leases	-	420 (6)	420	-	420
10.	Transportation	-	-	-	-	-
11.	Insurance	-	-	-	-	-
12.	Rate Case Expense	-	12,990 (7)	12,990	-	12,990
13.	Bad Debt Expense	-	-	-	1,322 (14)	1,322
14.	Miscellaneous	-	-	-	-	-
15.	Depreciation expense	5,269	11,990 (8)	17,259	-	17,259
16.	Amortization expense	-	-	-	-	-
17.	Taxes other than income taxes	5,299	17,718 (9)	23,017	-	23,017
18.	IURC Fee	-	152 (10)	152	195 (15)	347
19.	Utility Receipts Tax	1,582	35 (11)	1,618	2,079 (16)	3,697
20.	Income Taxes	(4,766)	(17,782) (12)	(22,548)	58,728 (17)	36,180
21.	Total Operating Expenses	<u>\$ 90,161</u>	<u>\$ 32,222</u>	<u>\$ 122,383</u>	<u>\$ 62,324</u>	<u>\$ 184,707</u>
22.	Net Operating Income (Loss)	<u>\$ 23,902</u>	<u>\$ (29,237)</u>	<u>\$ (5,335)</u>	<u>\$ 86,189</u>	<u>\$ 80,854</u>
23.	Rate Base			965,423		965,423
24.	Rate of Return on Rate Base			-0.55%		8.375%

Darlington Water Division  
Darlington, INDIANA  
DETAIL OF TYPICAL ADJUSTMENTS

Schedule P-12  
Page 1 of 6

(1) TO ADJUST NON-RECURRING REVENUE FEES TO PRESENT:

Line  
No.

	Current Fee	Estimated Pro Forma Occurrences	Estimated Pro Forma Revenue
1 Reconnection Fee	\$ 25.00	60	\$ 1,500
2 Late Fee	0%	120	\$ -
3 Bad Check Charge	\$ -	5	\$ -
4 <b>Total Pro Forma Present Non-Recurring Fees</b>			<b>\$1,500</b>
5			
6 Test Year			\$ (1,484)
7			
8 Adjustment			\$ 2,984
9			

(2) TO ADJUST NON-RECURRING REVENUE FEES TO ANTICIPATED PROPOSED:

	Pro Forma Proposed Fee	Estimated Pro Forma Occurrences	Estimated Pro Forma Revenue
17 Reconnection Fee	\$ 45.00	60	\$ 2,700
18 Late Fee	2%	120	\$ 129
19 Bad Check Charge	\$ 35.00	5	\$ 175
20 <b>Total Pro Forma Proposed Non-Recurring Fees</b>			<b>\$3,004</b>
21			
22 Pro Forma Present			\$ 1,500
23			
24 Adjustment			\$ 1,504

Darlington Water Division  
Darlington, INDIANA  
DETAIL OF TYPICAL ADJUSTMENTS

Schedule P-12  
Page 2 of 6

(3) TO ADJUST OPERATING EXPENSES TO REFLECT AN INCREASE IN PAYROLL EXPENSE.

Line

1	Test Year Net Payroll Expense	\$ 31,990
2	Add: Capitalized Payroll	<u>333</u>
3		
4	Gross Payroll	\$ 32,323
5		
6	4/1/09 Wage Increase at 4% annualized	960
7	4/1/09 Wage Increase at 4%	<u>\$ 1,293</u>
8		
9	Pro forma Gross Payroll	\$ 34,576
10		
11	Less: Pro forma Capitalized Payroll @ 1.03%	<u>(356) *</u>
12		
13		
14	Pro forma Net Payroll Expense	\$ 34,220
15		
16		
17	Adjustment (Line 14 - Line 1)	<u>\$ 2,230</u>
18		
19		

\* Capitalized payroll of \$333 / Gross payroll of \$32,323 = 1.03%

(4) TO ADJUST OPERATING EXPENSES PRO FORMA COST OF EMPLOYEE BENEFITS

Test Year Cost of Employee Benefits	\$ 3,770
Pro Forma (9/30/08 of \$5,824 annualized)	<u>7,765 *</u>
Adjustment-Increase	<u>\$ 3,995</u>

\* Primarily Company portion of Mr. Howard Holt's health insurance premiums.

(5) TO ADJUST OPERATING EXPENSES TO REFLECT A 10 % INCREASE IN THE COST OF PURCHASED POWER

Name of electric utility: Darlington Municipal Electric  
Effective date of rate change: \_\_\_\_\_  
Based on purchased power for the twelve months ended: 6/30/08

Test Year Cost of Purchased Power	\$ 4,734
Pro Forma after assumed 10% increase in Power Rates	<u>5,207</u>
Adjustment-Increase	<u>\$ 473</u>

Darlington Water Division  
Darlington, INDIANA  
DETAIL OF TYPICAL ADJUSTMENTS

Schedule P-12  
Page 3 of 6

(6) TO ADJUST OPERATING EXPENSES TO REFLECT THE COST OF INCREASED OFFICE RENT.

Office Rent at \$385 per month	\$ 4,620
Less: Test year expense	<u>4,200</u>
Adjustment	<u>\$ 420</u>

(7) TO ADJUST OPERATING EXPENSES TO REFLECT THE COST OF THIS RATE CASE.

Estimated Rate Case Costs

Legal fees	\$ 25,000
Accounting fees	12,000
Engineering fees	-
Other (Please detail) postage, travel, conference calls, copying etc.	<u>1,970</u>
Total Rate Case Costs	\$ 38,970
Amortize over 3 years	<u>3</u>
Annual Expense	\$ 12,990
Less: Test year expense	<u>-</u>
Adjustment	<u>\$ 12,990</u>

(8) TO ADJUST DEPRECIATION EXPENSE.

Utility Plant in Service	\$ 918,188
Less: Organization Costs	\$ (34,164)
Less: Land	<u>\$ (21,081)</u>
Depreciable Utility Plant in Service	\$ 862,944
Depreciation Rate	<u>2.00%</u>
Pro Forma Depreciation Expense	\$ 17,259
Test Year Depreciation Expense	<u>(5,269)</u>
Adjustment	<u>\$ 11,990</u>

Darlington Water Division  
Darlington, INDIANA  
DETAIL OF TYPICAL ADJUSTMENTS

Schedule P-12  
Page 4 of 6

(9) TO ADJUST OPERATING EXPENSES TO REFLECT TAXES, OTHER:

PROPERTY TAXES.

Proforma property taxes	(Schedule S-4)	\$ 19,218
Less: Test year expense		<u>1,500</u>
Adjustment		<u>\$ 17,718</u>
Total Taxes, Other Adjustment		<u>\$ 17,718</u>

(10) TO ADJUST OPERATING EXPENSES TO REFLECT THE PROFORMA IURC FEE  
AT PRESENT RATES.

Proforma sales of water at present rates	\$ 115,548
Less: Interdepartmental sales	-
Less: Sales for resale	<u>-</u>
Applicable operating revenues	\$ 115,548
Times: Rate	<u>0.0013156</u>
Proforma IURC Fee at present rates	\$ 152
Less: Test year expense	<u>-</u>
Adjustment	<u>\$ 152</u>

(11) TO ADJUST OPERATING EXPENSES TO REFLECT THE PROFORMA UTILITY  
RECEIPTS TAX AT PRESENT RATES.

Proforma sales of water at present rates	\$ 115,548
Less: Interdepartmental sales	-
Less: Sales for resale	<u>-</u>
Applicable operating revenues	\$ 115,548
Times: Rate	<u>0.0140</u>
Proforma Utility Receipts Tax at present rates	\$ 1,618
Less: Test year expense	<u>(1,582)</u>
Adjustment	<u>\$ 35</u>

(12) TO ADJUST OPERATING EXPENSES TO REFLECT PROFORMA INCOME TAXES  
AT PRESENT RATES.

**Schedule P-12**  
**Page 5 of 6**

<u>AT PRESENT RATES</u>	<u>Federal Income Tax</u>	<u>State Gross Tax</u>	
Operating Revenues-Present rates	\$ 117,048	\$ 117,048	
O & M Expenses-Present rates	102,885	102,885	
Depreciation expense	17,259	17,259	
Amortization expense	-	-	
Taxes other than income taxes	24,787	24,787	
State income taxes	(4,729)	na	
Subtotal	\$ (23,153)	\$ (27,883)	
Less: Synchronized interest	27,756	27,756	
Add: Deprec. on CIAC	-	na	
Taxable meals	-	na	
Property tax	na	na	
Taxable income	\$ (50,909)	\$ (55,639)	
Times: Rate	35.00%	8.50%	
Tax at present rates	\$ (17,818)	\$ (4,729)	\$ (22,548)
Less: Test year expense			(4,766)
Adjustment			<u>\$ (17,782)</u>

(13) TO ADJUST OPERATING REVENUES TO REFLECT THE PROPOSED RATE INCREASE.

Pro-forma water sales at present rates	\$ 115,548
Times: Percent of proposed rate increase	<u>127.23%</u>
Adjustment	<u>\$ 147,009</u>

TO ADJUST OPERATING EXPENSES TO REFLECT THE PROPOSED RATE INCREASE:

(14) Bad Debt Expense

Proposed increase in revenues	\$ 148,513
Times: Bad Debt Expense Rate	<u>0.0088988</u>
Increase in Bad Debt Expense	<u>\$ 1,322</u>

(15) IURC FEE

Proposed increase in revenues	\$ 148,513
Times: IURC Rate	<u>0.0013156</u>
Increase in IURC Fee	<u>\$ 195</u>

(16) UTILITY RECEIPTS TAX

Proposed increase in revenues	\$ 148,513
Times rate	<u>1.40%</u>
Increase in Gross Tax	<u>\$ 2,079</u>



(17) INCOME TAXES

**Schedule P-12**  
**Page 6 of 6**

Proposed increase in revenues  
Less: Bad Debt Expense  
IURC Fee increase  
Utility Receipts Tax increase

\$ 148,513  
\$ (1,322)  
(195)  
(2,079)

State Taxable  
Times State rate

\$ 144,917  
8.50%

Increase in State Tax

\$ 12,318

FEDERAL INCOME TAX

Proposed increase in revenues  
Less: Bad Debt Expense  
IURC Fee increase  
Utilities Tax increase  
State Income Tax increase

\$ 148,513  
\$ (1,322)  
(195)  
(2,079)  
(12,318)

Federal Taxable  
Times Federal rate

\$ 132,599  
35.00%

Increase in Federal Tax

\$ 46,410

Adjustment

\$ 58,728

Darlington Water Division  
Darlington, INDIANA  
CALCULATION OF RATE INCREASE

Schedule P-13  
Page 1 of 1

INCREASE IN OPERATING REVENUES REQUIRED

Fair Value Rate Base	\$ 965,423
Times: Fair Value Rate of Return	<u>8.375%</u>
Proposed Utility Net Operating Income	\$ 80,854
Less: Pro-forma Net Operating Income at Present Rates	<u>\$ (5,335)</u>
Increase in Net Operating Income Required	\$ 86,189
Times: Revenue Conversion Factor	<u>1.723102615</u>
Increase in Operating Revenues Required	<u><u>\$ 148,513</u></u>

PERCENT INCREASE IN REVENUES

Proposed Increase in Operating Revenues	\$ 148,513
Divided by: Operating Revenues at Present Rates	<u>117,048</u>
Percent Increase in Operating Revenues	<u><u>126.88%</u></u>

PERCENT INCREASE IN RATES

Proposed Increase in Operating Revenues (Less Fees Increase)	\$ 147,009
Divided by: Sales of Water at Present Rates	<u>115,548</u>
Percent Increase in Rates	<u><u>127.23%</u></u>

FAIR VALUE RATE BASE

Fair Value Finding in Company's Acquisition Order	\$ 250,000
Plant additions: 2007	8,666
2008	656,033
Plant retirements: 2007	-
2008	-
Other (please provide detail)	<u>50,724</u>

Estimated Fair Value Rate Base	<u><u>\$ 965,423</u></u>
--------------------------------	--------------------------

"Other" Detail

Working Capital	10,894
June - Dec 2006 Adds - net	50,651
Accumulated Depreciation 1/07 - 6/08	(7,946)
2007 Contrib. In aid of Construction	(665)
Accumulated Amort. Of Acq. Adj.	(2,209)
Rounding	<u>(1)</u>
	50,724

Darlington Water Division  
Darlington, INDIANA  
REVENUE CONVERSION FACTOR

**Schedule P-14**  
**Page 1 of 1**

Line  
No.

1.	Gross revenue change		1
		<u>Rates</u>	
2.	Less: Utility Receipts tax	1.40%	-1.4000%
3.	IURC Fee	0.13155870%	-0.1316%
4.	Uncollectible accounts rate	0.00890	-0.8899%
5.	Subtotal		0.975786
	Income Before Taxes		1.024815
6.	Adjusted Gross Income Tax	8.50%	<u>0.9150</u>
7.	Income Before Federal Income Taxes		1.1200167
8.	Federal Income Taxes	35%	<u>0.65</u>
9.	Revenue Conversion Factor		<u><u>1.7231026</u></u>

Darlington Water Division  
Darlington, INDIANA  
RATE OF RETURN ON ORIGINAL COST

**Schedule P-15**  
**Page 1 of 1**

Line No.	ORIGINAL COST RATE BASE	Pro-forma Present Rates	Pro-forma Proposed Rates
1.	Utility plant in service	\$ 918,188	\$ 918,188
2.	Less: Accumulated depreciation	27,048	27,048
3.	Net utility plant in service	\$ 891,141	\$ 891,141
4.	Utility plant acquisition adjustment	66,262	66,262
5.	Less: Accumulated amortization of utility plant acquisition adjustment	(2,209)	(2,209)
6.	Add: Materials and supplies inventory	0	0
7.	Working capital (1)	10,894	10,894
8.	Less: Contributions in aid of construction	665	665
9.	Original Cost Rate Base	\$ 965,423	\$ 965,423

	Pro-forma Present Rates	Pro-forma Proposed Rates
10. <u>RATE OF RETURN ON ORIGINAL COST</u>		
10. Net operating income	\$ (5,335)	\$ 80,854
11. Divided by: Original cost rate base	965,423	965,423
12. Rate of Return on Original Cost	-0.55%	8.375%

	Pro-forma Present Rates	Pro-forma Proposed Rates
(1) <u>WORKING CAPITAL-45 DAY METHOD</u>		
13. Total O&M Expenses	\$ 82,777	\$ 82,777
14. Less: Purchased power	(4,734)	(4,734)
15. Purchased water	-	-
16. Add: Payroll Adjustment	2,230	2,230
17. Benefits Adjustment	3,995	3,995
18. Leases Adjustment	420	420
19. Transportation Adjustment	-	-
20. Insurance Adjustment	-	-
21. Miscellaneous Exp. Adjustment	-	-
22. Payroll Taxes Adjustment	-	-
23. IURC Fee Adjustment	347	347
24. Gross Receipts Tax Adjustment	2,114	2,114
25. Subtotal	\$ 87,149	\$ 87,149
26. Divide by: 8	8	8
27. Working Capital	\$ 10,894	\$ 10,894

Darlington Water Division  
Darlington, INDIANA  
RETURN ON EQUITY-ORIGINAL COST  
AT PRESENT RATES

Schedule P-16  
Page 1 of 1

Line

No. WEIGHTED COST OF CAPITAL

	<u>Type of Capital</u>	<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	Weighted <u>Ave. Cost</u>
1.	Long-term debt	\$ 482,711	50.00%	5.75%	2.88%
2.	Common equity	482,711	50.00%	11.00%	5.50%
3.	Preferred equity	-	0.00%		0.00%
4.	Post-1970 ITC	-	0.00%		0.00%
5.	Pre-1971 ITC	-	0.00%		0.00%
6.	Deferred taxes	-	0.00%		0.00%
7.	Customer deposits	-	0.00%		0.00%
8.	Customer advances for construction	-	0.00%		0.00%
9.	Totals	<u>\$ 965,423</u>	<u>100.00%</u>		<u>8.375%</u>

CALCULATION OF POST-1970 ITC RATE

N/A

	<u>Type of Capital</u>	<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	Weighted <u>Ave. Cost</u>
10.	Long-term debt	\$ -	0.00%	0%	0.00%
11.	Common equity	-	0.00%	0%	0.00%
12.	Preferred equity	-	0.00%	0%	0.00%
13.	Totals	<u>\$ -</u>	<u>100.00%</u>		<u>0.00%</u>

CALCULATION SYNCHRONIZED INTEREST

	<u>Type of Capital</u>	<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	Weighted <u>Ave. Cost</u>
14.	Long-term debt	\$ 482,711	50.00%	5.75%	2.88%
15.	Common equity	482,711	50.00%	11.00%	5.50%
16.	Preferred equity	-	0.00%	0%	0.00%
17.	Pre-1971 ITC	-	0.00%	0%	0.00%
18.	Deferred taxes	-	0.00%	0%	0.00%
19.	Customer deposits	-	0.00%	0%	0.00%
20.	Customer advances for construction	-	0.00%	0%	0.00%
21.	Totals	<u>\$ 965,423</u>	<u>100.00%</u>		<u>8.38%</u>
22.	Original Cost Rate Base		\$ 965,423		
23.	Times: Weighted cost of debt		<u>2.88%</u>		
24.	Synchronized Interest			<u>\$ 27,756</u>	

Darlington Water Division  
Darlington, INDIANA  
RETURN ON EQUITY-ORIGINAL COST  
AT PROPOSED RATES

Schedule P-17  
Page 1 of 1

Line

No. WEIGHTED COST OF CAPITAL

	<u>Type of Capital</u>	<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	<u>Weighted Ave. Cost</u>
1.	Long-term debt	\$ 482,711	50.00%	5.75%	2.88%
2.	Common equity	482,711	50.00%	11.00%	5.50%
3.	Preferred equity	-	0.00%		0.00%
4.	Post-1970 ITC	-	0.00%		0.00%
5.	Pre-1971 ITC	-	0.00%		0.00%
6.	Deferred taxes	-	0.00%		0.00%
7.	Customer deposits	-	0.00%		0.00%
8.	Customer advances for construction	-	0.00%		0.00%
9.	Totals	<u>\$ 965,423</u>	<u>100.00%</u>		<u>8.375%</u>

CALCULATION OF POST-1970 ITC RATE

N/A

	<u>Type of Capital</u>	<u>Amount</u>	<u>Percent</u>	<u>Cost</u>	<u>Weighted Ave. Cost</u>
10.	Long-term debt	\$ -	0.00%	0.00%	0.00%
11.	Common equity	-	0.00%	0.00%	0.00%
12.	Preferred equity	-	0.00%	0%	0.00%
13.	Totals	<u>\$ -</u>	<u>100.00%</u>		<u>0.00%</u>

Darlington Water Division  
Darlington, INDIANA  
ANALYSIS OF ADMIN UTILITY PLANT IN SERVICE  
FROM JANUARY 1, 2007 TO JUNE 30, 2008

Schedule S-1  
Page 1 of 1

Line No.	1/1/2007 Beginning Balance Col. A	2007 Additions Col. B	2007 Retirements Col. C	2007 Other Col. D	Year End Balance Col. E	Jan - Jun 2008 Additions Col. F	Jan - Jun 2008 Retirements Col. G	Jan - Jun 2008 Other Col. H	Balance at End of Test Year Col. I	Jul - Sep 2008 Major Additions Col. J	Jul - Sep 2008 Major Retirements Col. K	Jul - Sep 2008 Other Col. L	Balance Projected 9/30/2008 Col. M	Reference
<u>UTILITY PLANT</u>														
1.	-	-	-	-	-	-	-	-	-	\$ -	-	\$ -	\$ -	-
2.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.	23,585	-	-	-	23,585	-	-	-	23,585	-	-	-	23,585	-
4.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
17.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>GENERAL PLANT</u>														
18.	648,148	577,098	-	-	1,225,247	103,919	-	-	1,329,166	305,485 *	-	-	1,634,651	-
19.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
21.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
25.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
27.	<u>671,734</u>	<u>577,098</u>	<u>-</u>	<u>-</u>	<u>1,248,832</u>	<u>103,919</u>	<u>-</u>	<u>-</u>	<u>1,352,751</u>	<u>\$ 305,485</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,658,236</u>	
28.	6,455	5,546	-	-	12,000	999	-	-	12,999	\$ 9,652	\$ -	\$ -	<span style="border: 1px solid black;">22,651</span>	P-4

\* Only the other than Utility Center companies shown are served by the Call Center. Indiana's share of the regional Call Center investment of \$1,004,464 X 30.41% = \$305,485

Darlington Water Division  
Darlington, INDIANA  
ANALYSIS OF ADMIN ACCUMULATED PROVISION FOR DEPRECIATION  
FROM JANUARY 1, 2007 TO JUNE 30, 2008

Line No.	Reference	Schedule S-2 Page 1 of 1
1.	<u>BALANCE JANUARY 1 (1)</u> <u>YEAR 2007</u>	\$ 11,885
2.	Charged to depreciation expense	22,711 (4)
3.	Salvage	-
4.	Retirements	-
5.	Cost of removal	-
6.	Adjustments *	-
7.	<u>BALANCE JANUARY 1, (2)</u> <u>YEAR 2008</u>	\$ 34,596
8.	Charged to depreciation expense	13,374 (5)
9.	Salvage	-
10.	Retirements	-
11.	Cost of removal	-
12.	Adjustments *	-
13.	BALANCE June 30, 2008 (3)	\$ 47,969
14.	Darlington Water Allocation at 12/31/07	P-5
15.	Darlington Water Allocation 1/08 - 6/08	P-5
		<b>\$ 332</b>
		<b>\$ 129</b>

- (1) This should be the date of the beginning of the first year.  
 (2) This should be the date of the end of the first year  
 (3) This should be the date of the end of the test year.  
 (4) This amount should agree with the amount on Page XX, Column B, Line 2.  
 (5) This amount should agree with the amount on Page XX, Column A, Line 2.

\* Please detail



# Customer Count

Schedule S-3  
Page 1 of 1

Line	<u>With Utility Center</u>	Accounting <u>Unit</u>	6/30/2008 Active Customer <u>Count</u>	Allocation of 9001 %	<u>Reference</u>
1	Utility Center - Aboite Water	6956	11,582	34.56%	
2					
3	Utility Center - Aboite Sewer	6971	11,736	35.02%	
4					
5	South Haven (acquired 8/08)	6980	3,954	11.80%	
6					
7	Darlington Water	6920	322	0.96%	S-1, Col. A, B & F, Line 28 S-2, Lines 14 & 15
8					
9					
10	Chimneywood Sewer	6918	28	0.08%	
11					
12	Wymberly Sewer	6930	490	1.46%	
13					
14	Wildwood Shores Sewer	6927	86	0.26%	
15					
16	Western Hancock Sewer	6915	684	2.04%	
17					
18	Hendricks Sewer	6912	4,627	13.81%	
19					
20					
21			33,509	100%	
22					
23					
24					
25			6/30/2008		
26			Active		
27		Accounting	Customer	Allocation	
28	<u>Without Utility Center *</u>	<u>Unit</u>	<u>Count</u>	of 9001 %	
29					
30	South Haven (acquired 8/08)	6980	3,954	38.80%	
31					
32	Darlington Water	6920	322	3.16%	S-1, Col. J, Line 28
33					
34	Chimneywood Sewer	6918	28	0.27%	
35					
36	Wymberly Sewer	6930	490	4.81%	
37					
38	Wildwood Shores Sewer	6927	86	0.84%	
39					
40	Western Hancock Sewer	6915	684	6.71%	
41					
42	Hendricks Sewer	6912	4,627	45.40%	
43					
44					
45			10,191	100%	
46					
47					
48	Other than Utility Center companies % to All Indiana:		10,191 / 33,509 =	30.41%	S-1, Col. J, Line 18

**Darlington Township Pro Forma Property Tax Expense**

PIN NUMBER	CURRENT VALUE	IMPROVE- MENTS	TOTAL ASESS.	TAX RATE	GROSS TAX	CREDIT RATE	REPLACE. CREDIT	FULL YEAR TAX
<b>54-08-08-442-010.004-015</b>	10,300	-	10,300	2.6526 \$	273.22	0.225897 \$	61.72 \$	211.50
<b>54-08-08-114-072.000-015</b>	12,100	-	12,100	2.6526 \$	320.96	0.225897 \$	72.50 \$	248.46
<b>Less Ral Property (Old Tank)</b>	-	(12,100)	(12,100)	2.6526 \$	(320.96)	0.225897 \$	(72.50) \$	(248.46)
<b>111-00090-00</b>	258,270	-	258,270	2.6526 \$	6,850.87	0.145239 \$	995.01 \$	5,855.86
<b>New Water Tank</b>	-	416,612	416,612	2.6526 \$	11,051.05	0.145239 \$	1,605.04 \$	9,446.01
<b>Less Old Tank</b>	-	(44,157)	(44,157)	2.6526 \$	(1,171.31)	0.145239 \$	(170.12) \$	(1,001.19)
<b>New Water Mains</b>	-	205,082	205,082	2.6526 \$	5,440.01	0.145239 \$	790.10 \$	4,649.90
<b>Less Old Water Mains</b>	-	(7,400)	(7,400)	2.6526 \$	(196.29)	0.145239 \$	(28.51) \$	(167.78)
<b>211-00025-23</b>	9,880	-	9,880	2.6526 \$	262.08	0.145239 \$	38.06 \$	224.01
	<b>290,550</b>	<b>558,037</b>	<b>848,587</b>	<b>\$</b>	<b>22,509.62</b>	<b>\$</b>	<b>3,291.31</b>	<b>\$ 19,218.31</b>

## GENERAL INFORMATION

<b>COMPANY NAME:</b>	Darlington Water Division - Aqua Indiana, Inc.		
<b>CONTACT PERSON:</b>	Thomas M. Bruns	<b>TELE NO.</b>	(317) 577-1390
<b>MAILING ADDRESS:</b>	8275 Allison Pointe Trail, Suite 375 Indianapolis, IN 46250		
<b>CERTIFIED OPERATOR:</b>	William E. Lush	<b>NO.</b>	8423 and 8421
<b>GRADE:</b>	WT-2 and DSM	<b>EXPIRATION DATE:</b>	6/30/11 and 6/30/10, respectively
<b>NO. CUSTOMERS:</b>	<b>322</b>		
RESIDENTIAL	314		
COMMERCIAL	8		
INDUSTRIAL	0		
<b>IS INCREASE ACROSS THE BOARD?</b> (if no, justification such as cost of service study must be supplied.) <b>See Schedules RD-1 and RD-2</b>			
<b>ARE NON-RECURRING CHARGES BEING REVISED?</b> <span style="float: right;"><b>Yes</b></span> (if yes, cost justification must be supplied) Aqua Indiana's proposed non-recurring fees and charges for its Darlington Water Division are patterned after those that its affiliate, Utility Center, Inc., has requested the Commission to approve in a 30-day filing dated October 13, 2008. Please accept the support provided as part of that filing as support for the non-recurring fees and charges proposed by Aqua Indiana for the Darlington Water Division.			
<b>COMPOSITE DEPRECIATION RATE</b> <span style="float: right;"><b>2.00%</b></span> (if other than composite, supply details)			
<b>AUTHORITY FOR CURRENT DEPRECIATION RATE (commission order date).</b> <span style="float: right;"><b>10/11/2006 Order in Cause No. 43087.</b></span>			
<b>IS THE DEPRECIATION RATE BEING CHANGED IN THIS PROCEEDING?</b> <span style="float: right;"><b>No</b></span> (if yes, supply justifications, such as the depreciation study, supporting the change)			

## FACILITIES DESCRIPTION

[illegible]

## CALCULATION OF REQUIREMENT FOR EXTENSIONS AND REPLACEMENTS

**CAPITAL IMPROVEMENT PLAN** (To be completed if future extensions and replacements to plant are expected to vary significantly from the historical average calculated previously. Improvements should be planned for the next three years and cost estimates or bids obtained from material suppliers, contractors or consulting engineers should be attached.)

DESCRIPTION OF IMPROVEMENT	PROJECTED COSTS			
	YEAR 1 2008	YEAR 2 2009	YEAR 3 2010	TOTAL
Main Replacements	\$ 205,082	\$ -	\$ 30,000	\$ 235,082
Valves Replacement & Cap. Main Breaks	\$ 2,500	\$ 5,000	\$ 5,000	\$ 12,500
Meters	\$ 3,000	\$ 3,000	\$ 3,000	\$ 9,000
Service Replacements	\$ 2,000	\$ 2,500	\$ 2,500	\$ 7,000
Hydrants Replacements	\$ 6,400	\$ 7,500	\$ 7,500	\$ 21,400
100,000 Gallon Tank and Well Pump Upgrades	\$ 416,612			\$ 416,612
	\$ -			\$ -
Other Improvements	\$ 5,000	\$ 5,000	\$ 5,000	\$ 15,000
Working Tools	\$ 500	\$ 500	\$ 500	\$ 1,500
TOTALS	\$ 641,094	\$ 23,500	\$ 53,500	\$ 718,094
DIVIDED BY THREE YEARS			/ 3	
AVERAGE ANNUAL PROJECTED EXTENSIONS AND IMPROVEMENTS				\$ 239,365

## RETIREMENTS

[illegible]

## WATER LOSS

<u>MONTH - YEAR</u>	<u>PUMPAGE</u>	<u>SALES</u>
July 2007	1,618,700	1,470,200
August 2007	1,644,800	1,482,800
September 2007	1,435,600	1,398,100
October 2007	1,674,800	2,225,000
November 2007	1,652,400	1,379,000
December 2007	1,959,000	1,358,500
January 2008	1,885,100	1,725,900
February 2008	1,946,600	1,462,900
March 2008	1,530,200	1,305,700
April 2008	1,482,300	1,550,600
May 2008	1,568,600	1,501,700
June 2008	1,706,700	1,483,300
TOTAL	20,104,800	18,343,700
PERCENT UNACCOUNTED FOR WATER = $\frac{(PUMPAGE - SALES)}{PUMPAGE}$		
= 91.2%		

# Darlington

## Rate Design - 3000 Gallons Allowance

Schedule RD-1  
Page 1 of 1

### Current Customers:

		mo. ave. use
5/8"	316	4,154
1"	2	35,375
1 1/2"	1	73,000
2"	3	17,617
	322	4,687

Two customers exceed 20,000 / mo.  
One customer uses 3700 / mo; one uses 67,000 / mo.

Two ave. 8200 / mo; one uses 36,400 / mo. Switch smaller users to 1".

2007 Pumpage	Est. Test Year Usage	Size	# Bills	Current Monthly Billing Rate Schedule	Size	
17,099,540	14,927,600	5/8"	3,586	Service Charge - 6,000 gallons / mo.	5/8"	\$ 494.50 per month
972,528	849,000	1"	24	Service Charge - 7,500 gallons / mo.	1"	\$ 22.97
1,003,457	876,000	1 1/2"	12	Service Charge - 16,300 gallons / mo.	1 1/2"	\$ 38.29
726,475	634,200	2"	36	Service Charge - 29,200 gallons / mo.	2"	\$ 76.59
-	-	-	-			\$ 122.55
19,802,000	17,286,800		3,658	> Allowed per each 1,000 gallons		20,994
				Fees		1,500
				Test Year Revenue		\$ 117,048

Pro Forma Usage	Size	# Bills	Proposed Monthly Billing Rate Schedule	Size	
15,751,600	5/8"	3,792	Service Charge - 3000 gal / mo.	5/8"	\$ 1,190.00 per month
849,000	1"	48	Switch two 2" to 1"	1"	\$ 46.00
876,000	1 1/2"	12		1 1/2"	\$ 90.00
634,200	2"	12	Switch two 2" to 1"	2"	\$ 120.00
-	-	-	For all gallons over 3000 (see below)		\$ 180.00
18,110,800		3,864	> Allowed per each 1,000 gallons		\$ 65,919
			Fees		3,004
			Proposed Revenue		\$ 265,555

Percent Increase 127%

Dollar Increase \$ 148,507

Proposed:	Pro Forma Usage By Rate Block	Size	# Bills	Consumptive Rates:	
zero usage minimum	-	5/8"	100	3001-20000	\$ 7.850
zero to 3000	9,309,800	5/8"	1,332	>20000	\$ 6.950
3001-20000	6,201,400	5/8"	2,340		
>20000	240,400	5/8"	20		
	15,751,600		3,792		
zero usage minimum	-	1"	-		
zero to 3000	72,000	1"	6		
3001-20000	212,796	1"	6		
>20000	564,204	1"	12		
	849,000		24		
zero usage minimum	-	1 1/2"	-		
zero to 3000	36,000	1 1/2"	-		
3001-20000	204,000	1 1/2"	-		
>20000	636,000	1 1/2"	12		
	876,000		12		
zero usage minimum	-	2"	-		
zero to 3000	108,000	2"	-		
3001-20000	329,400	2"	24		
>20000	196,800	2"	12		
	634,200		36		
TOTALS	18,110,800		3,864		

\$ 65,919



**Darlington****Bill Comparisons**Schedule RD-2  
Page 1 of 4

Class (A)	Consumption 1000 Gallons (B)	Current Monthly Rates (C)	Proposed Monthly Rate (D)	Dollar Change (E)	% Change (F)
Metered Residential					
<b>Darlington 5/8"</b>	0	\$ 22.97	\$ 46.00	\$ 23.03	100.26%
	0.5	22.97	46.00	23.03	100.26%
	1	22.97	46.00	23.03	100.26%
	1.5	22.97	46.00	23.03	100.26%
Service Rate: <b>Current</b>	2	22.97	46.00	23.03	100.26%
	2.5	22.97	46.00	23.03	100.26%
Usage Rate: <b>\$ 5.070</b>	3	22.97	46.00	23.03	100.26%
Usage Rate: <b>\$ 4.067</b>	3.5	22.97	49.93	26.96	117.35%
Usage Rate: <b>\$ 3.368</b>	4	22.97	53.85	30.88	134.44%
Usage Rate: <b>\$ 2.705</b>	4.5	22.97	57.78	34.81	151.52%
Usage Rate: <b>\$ 2.025</b>	5	22.97	61.70	38.73	168.61%
Usage Rate: <b>\$ 1.380</b>	5.5	22.97	65.63	42.66	185.70%
	6	22.97	69.55	46.58	202.79%
	6.5	25.51	73.48	47.97	188.08%
	7	28.04	77.40	49.36	176.03%
	7.5	30.58	81.33	50.75	165.99%
	8	33.11	85.25	52.14	157.48%
Service Rate: <b>NEW</b>	8.5	35.65	89.18	53.53	150.18%
	9	38.18	93.10	54.92	143.84%
Usage Rate: <b>\$ 7.850</b>	9.5	40.72	97.03	56.31	138.30%
Usage Rate: <b>\$ 6.950</b>	10	43.25	100.95	57.70	133.41%
	10.5	45.28	104.88	59.59	131.60%
	11	47.32	108.80	61.48	129.94%
	11.5	49.35	112.73	63.37	128.42%
	12	51.38	116.65	65.27	127.02%
	12.5	53.42	120.58	67.16	125.72%
	13	55.45	124.50	69.05	124.52%
	13.5	57.48	128.43	70.94	123.41%
	14	59.52	132.35	72.83	122.37%
	14.5	61.55	136.28	74.72	121.40%
	15	63.59	140.20	76.62	120.49%
	15.5	65.62	144.13	78.51	119.64%
	16	67.65	148.05	80.40	118.84%
	16.5	69.69	151.98	82.29	118.09%
	17	71.72	155.90	84.18	117.38%
	17.5	73.75	159.83	86.07	116.70%
	18	75.79	163.75	87.96	116.07%
	18.5	77.82	167.68	89.86	115.47%
	19	79.85	171.60	91.75	114.89%
	19.5	81.89	175.53	93.64	114.35%
	20	83.92	179.45	95.53	113.83%
	20.5	85.96	182.93	97.32	113.69%
	21	87.29	186.40	99.11	113.55%
	21.5	88.97	189.88	100.90	113.41%
	22	90.66	193.35	102.69	113.28%
	22.5	92.34	196.83	104.49	113.15%
	23	94.02	200.30	106.28	113.03%
	23.5	95.71	203.78	108.07	112.91%
	24	97.39	207.25	109.86	112.80%
	24.5	99.08	210.73	111.65	112.69%
	25	100.76	214.20	113.44	112.58%
	25.5	102.44	217.68	115.23	112.48%
	26	104.13	221.15	117.02	112.38%
	26.5	105.81	224.63	118.81	112.29%
	27	107.50	228.10	120.60	112.19%
	27.5	109.18	231.58	122.40	112.10%
	28	110.86	235.05	124.19	112.02%
	28.5	112.55	238.53	125.98	111.93%
	29	114.23	242.00	127.77	111.85%
	29.5	115.92	245.48	129.56	111.77%
	30	117.60	248.95	131.35	111.69%

**Darlington****Bill Comparisons****Schedule RD-2  
Page 2 of 4**

Class (A) Metered Residential	Consumption 1000 Gallons (B)	Current Monthly Rates (C)	Proposed Monthly Rate (D)	Dollar Change (E)	% Change (F)
<b><u>Darlington</u> 1"</b>					
Small 1" Customer	4	38.29	97.85	59.56	155.55%
Proposing to switch two small 2" to 1"	8	122.55	129.25	6.70	5.47%
	8	122.55	129.25	6.70	5.47%
Large 1" Customer	67	<u>238.66</u>	<u>550.10</u>	<u>311.44</u>	<u>130.50%</u>
		522.05	906.45	384.40	73.63%

Service Rate:	<u>Current</u> \$ 38.290	7,500 allowed
Usage Rate:	\$ 5.070	first 10,000 gallons
Usage Rate:	\$ 4.067	next 10,000 gallons
Usage Rate:	\$ 3.368	next 30,000 gallons
Usage Rate:	\$ 2.705	next 50,000 gallons
Usage Rate:	\$ 2.025	next 400,000 gallons
Usage Rate:	\$ 1.380	> 500,000 gallons

Service Rate:	<u>NEW</u> \$ 90.00	3000 gallons allowed
Usage Rate:	\$ 7.850	3100 - 20,000 gallons
Usage Rate:	\$ 6.950	> 20,000 gallons

**Darlington****Bill Comparisons****Schedule RD-2  
Page 3 of 4**

Class (A) Metered Residential	Consumption 1000 Gallons (B)	Current Monthly Rates (C)	Proposed Monthly Rate (D)	Dollar Change (E)	% Change (F)
<b><u>Darlington</u> 1 1/2"</b>					
Large 1 1/2" Customer	73	254.89	621.80	366.91	143.95%

<b>Current</b>	
Service Rate:	\$ 76.590
16,300 allowed	
Usage Rate:	\$ 5.070
Usage Rate:	\$ 4.067
Usage Rate:	\$ 3.368
Usage Rate:	\$ 2.705
Usage Rate:	\$ 2.025
Usage Rate:	\$ 1.380

<b>NEW</b>	
Service Rate:	\$ 120.00
3000 gallons allowed	
Usage Rate:	\$ 7.850
Usage Rate:	\$ 6.950

**Darlington****Bill Comparisons****Schedule RD-2  
Page 4 of 4**

Class (A) Metered Residential	Consumption 1000 Gallons (B)	Current Monthly Rates (C)	Proposed Monthly Rate (D)	Dollar Change (E)	% Change (F)
<b><u>Darlington</u> 2"</b>					
Two Smaller 2" Customers	8	122.55	219.25	96.70	78.91%
Proposing to switch to 1"	8	122.55	219.25	96.70	78.91%
Large 2" Customer	36.5	147.14	428.13	280.99	190.97%

<b>Current</b>	
Service Rate:	<b>\$ 122.550</b>
29,200 allowed	
Usage Rate:	<b>\$ 5.070</b>
first 10,000 gallons	
Usage Rate:	<b>\$ 4.067</b>
next 10,000 gallons	
Usage Rate:	<b>\$ 3.368</b>
next 30,000 gallons	
Usage Rate:	<b>\$ 2.705</b>
next 50,000 gallons	
Usage Rate:	<b>\$ 2.025</b>
next 400,000 gallons	
Usage Rate:	<b>\$ 1.380</b>
> 500,000 gallons	

<b>NEW</b>	
Service Rate:	<b>\$ 180.00</b>
3000 gallons allowed	
Usage Rate:	<b>\$ 7.850</b>
3100 - 20,000 gallons	
Usage Rate:	<b>\$ 6.950</b>
> 20,000 gallons	

Aqua Indiana, Inc.  
Unanimous Consent of Directors  
October 16, 2008

The undersigned, being all of the Directors of Aqua Indiana, Inc., an Indiana corporation, (herein the "Corporation"), hereby consent to the following action being taken by the Corporation without a meeting of the Board of Directors as permitted by the Indiana Business Corporation Law, as amended:


RESOLVED, that the officers of the Corporation are authorized and directed to conduct an investigation and take such further and other actions as they may consider necessary or desirable to determine the reasonableness of the rates and charges currently collected by its Darlington Water Division (the "Utility") and the sufficiency of such rates and charges to maintain the financial health of the Utility and its ability to provide adequate and reliable service to the public.

RESOLVED, that the officers of the Corporation are authorized and directed to prepare, execute and file with the Indiana Utility Regulatory Commission a request for authority to modify the Utility's rates and charges for service in such manner as its investigations may reveal is justified and for such other and further relief related to the requested modification in rates and charges as they deem necessary or desirable.

RESOLVED, that the officers of the Corporation are authorized and directed to take such other and further action as they may deem necessary or desirable in order to secure the Commission's approval of the relief requested without further authorization or approval of the undersigned Directors.

This Unanimous Consent of Directors may be executed in counterparts, all of which taken together shall be deemed one and the same instrument.

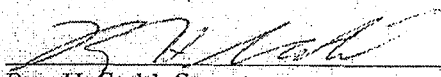
IN WITNESS WHEREOF, this Unanimous Consent of Directors has been executed as of the day and year set forth above.

  
\_\_\_\_\_  
Nicholas DeBenedictis

\_\_\_\_\_  
Fred E. Schlegel

\_\_\_\_\_  
Clayton C. Miller

FILED with the undersigned as Secretary of the Company as of the day and year set forth above.

  
\_\_\_\_\_  
Roy H. Stahl, Secretary  
Ass't.

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Fred E. Schlegel  
Fred E. Schlegel

Clayton C. Miller  
Clayton C. Miller

FILED with the undersigned as Secretary of the Company as of the day and year set forth above.

Roy H. Stahl  
Roy H. Stahl, Secretary  
Asst.

**AQUA INDIANA, INC.**  
**DARLINGTON WATER DIVISION**  
**SCHEDULE OF RATES AND CHARGES**

**I. General Service Rates**

**A. General Service Rates**

The rates for General Service, other than Fire Protection, shall consist of a Customer Charge and a Usage Charge.

**B. Customer Charge**

The following Customer Charge, varying with the size of the meter, is applicable regardless of usage of water:

Meter Size	Minimum Gallons	Monthly Minimum
5/8" and 3/4"	3,000	\$46.00
1"	3,000	\$90.00
1-1/4"	3,000	\$105.00
1-1/2"	3,000	\$120.00
2"	3,000	\$180.00
3"	3,000	\$360.00
4"	3,000	\$600.00

**C. Usage Charge**

For use of and service rendered in the service area by the Darlington Water Division based on the use of water supplied by said water system:

Water Consumption Per Month	Rate Per 1,000 Gallons
3,001–20,000 gallons	\$7.85
All usage over 20,000 gallons	\$6.95

**D. Fire Protection**

Fire Protection Fee (per month):	\$1,190.00
Additional hydrant fee (per unit per month):	\$50.00
Private hydrant fee (per unit per month):	\$50.00

**II. Non-Recurring Charges for Utility Services**

A. Tap Charges	<u>Short-Side Tap</u>	<u>Long-Side Tap</u>
3/4" Connection	\$1,020	\$1,360
1" Connection	\$1,085	\$1,435
1 1/2" Connection	\$1,840	\$2,545
2" Connection	\$2,005	\$2,765
Larger than 2" Connection	Actual Cost	Actual Cost
B. Disconnect/Reconnect Fee	\$45.00	
C. Returned Check Charge	\$35.00	
D. Late Fees	2% per month of past due balance	

Effective:



**Notice of Filing for Rate Increase Request  
Aqua Indiana, Inc. - Darlington Water Division**

On November 14, 2008, the Darlington Water Division of Aqua Indiana, Inc. ("Aqua") filed with the Indiana Utility Regulatory Commission (the "Commission") an application to increase and establish new monthly and non-recurring rates and charges. Aqua has owned the water utility since November 2006 and has recently completed major improvements it had planned when it purchased the water system including:

- a 100,000 gallon elevated tank constructed along State Road 47 which provides increased water storage and improved fire protection capability;
- 2,700 feet of new 8-inch water main installed in the system;
- and eight new high-capacity fire hydrants to better serve the utility's 322 customers.

This is the first rate request since 1991 (17 years) and is necessary to recover increased operating expenses and more than \$600,000 of capital investments that were made to improve water quality and service reliability. The company's recent capital investments equate to \$1,875 per customer.

The new monthly rates and charges Aqua has proposed to the Commission are designed to increase operating revenues by approximately \$147,000, or 127 percent. A breakdown of this proposed revenue increase by type of service is as follows:

Type of Service	Proposed Revenue Increase	Increase in Proposed Revenue
5/8 and 3/4 inch meter	\$126,275	128%
1 inch meter*	\$4,613*	74%*
1 1/2 inch meter	\$4,403	144%
2 inch meter	\$3,372	191%
Fire Protection	\$8,343	141%

\* Affected by reallocation of two 2-inch meters to 1-inch meter size.

The proposed new monthly rates and charges also reflect a reduction in the minimum water allowance used for calculating a customer's monthly bill from 6,000 to 3,000 gallons per month. Under the proposed new rates and charges, the monthly bill for a customer with a 5/8 inch or 3/4 inch meter receiving 3,000 gallons (the maximum monthly allowance under the proposed rates) will increase from \$22.97 per month to \$46 per month, a 100 percent increase. The proposed cost for each 1,000 gallons above 3,000 and less than 20,000 gallons is \$7.85, or less than a penny (\$.008) per gallon.

Aqua also is requesting authority to increase the non-recurring fees and charges it collects from customers and to implement a new "Returned Check Fee" and "Late Fee." The increased and new fees and charges are as follows:

**Tap Charges:**

Connection Size	Short-Side Tap	Long-Side Tap
3/4 inch	\$1,020	\$1,360
1 inch	\$1,085	\$1,435
1 - 1/2 inch	\$1,840	\$2,545
2 inch	\$2,005	\$2,765
Larger than 2 inch	Actual Cost	Actual Cost

Disconnect/Reconnect Fee: \$45

Returned Check Charge: \$35

Late Fee: 2 percent per month of  
past due balance

Aqua filed its application for a change in its rates and charges under IC 8-1-2-61.5 and 170 IAC 14-1 in order to avoid the substantial costs of a hearing before the Commission. A public hearing by the Commission may be held, however, if:

- (i) any public or municipal corporation;
- (ii) ten (10) individuals, firms, corporations, or associations;
- (iii) ten (10) complainants of all or any of the Utility's rate classes affected by the proposed change in rates and charges; or
- (iv) the Indiana Office of Utility Consumer Counselor;

requests a formal public hearing by filing a written signed request with the Secretary, Indiana Utility Regulatory Commission, 101 W. Washington Street, Suite 1500E, Indianapolis, Indiana 46204. The written request must be received by the Commission within forty (40) days of the date specified above upon which Aqua's application for a change to its rates and charges was filed. There likely will be no hearing in the absence of such a written request.



**DATE:** November 17, 2008

**TO:** Customers of Aqua Indiana's Darlington Water Division

**FROM:** Tom Bruns, Vice President and Regional Manager

**SUBJECT:** Proposed Rate Increase

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